Message Text

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R 101115Z JUL 78 FM AMCONSUL LUBUMBASHI TO SECSTATE WASHDC 2527 INFO AMEMBASSY KINSHASA AMEMASBASSY BRUSSELS AMEMBASSY PARIS AMEMBASSY LONDON

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E.9. 11652 GDS

TAGS: EMIN,EFIN,CG,BE SUBJECT: STATUS OF KOLWEZI MINES: I OF III PROBLEMS AHEAD IN RESUMING FULL PRODUCTION

REF: (A) KINSHAS 6676 (B) LUBUMBASHI 0818, (C) LUBUMBASHI 0791

1. SUMMARY: THROUGH REMARKABLE EFFORT OF GECAMINES ZAIRIAN STAFF IN KOLWEZI, TOTAL PRODUCTION FOR MONTH OF JUNE EXCEEDED EXPECTATIONS: 31,000 MT OF COPPER AND 1,000 MT OF COBALT. RAPID INITIAL RESUMPTION OF KOLWEZI OPERATIONS MASKS SERIOUES PROBLEM WHICH IS DEVELOPING BETWEEN ZAIRIANS AND EXPATRIATES OVER LONGER TERM MANAGEMENT OF COMPANY. ZAIRIAN CADRE AT KOLWEZI WANT TO SHOW THEY CAN HADLE WORK WITHOUT EXPATRAITES. PRESIDENT MOBUTU HAS ISSUED ORDER SUSPENDING EXPLOYMENT OF EVACUATED KOLWEZI EXPATRAITES AND SENT FEELERS TO FRENCH GOVERNMENT REGARDING REPLACEMENT OF TECHNICIANS. SENIOR EXPATRIATES IN LUBUMBASHI SEEM UNSURE OF THEIR FUTURE. WHILE DAILY OPERATIONS CONTINUE IN REASONABLY NORMAL MATTERN, PROBLEM OVER FUTURE ROLE OF EXPATRIATES IS INHIBITING LONGER RANGE PLANNING WHICH WOULD CONFIDENTIAL.

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PERMIT GECAMMINES TO RSUME FULL PRODUCTION END SUMMARY

2. GECAMINES RECOVERY FOLLOWI G THE OCCUPATIONOF KOLWEZI HAS BEEN NOTHING SHORT OF REMARKABLE. THE CLOSING OF THE KOWEZI FACILITIES HAD DEPRIVED ZAIRES PRIMARY FOREIGN EXHCANGE EARNER OF THE SOURCE OF 75 OF ITS COPPER AND 90 OC OF ITS COBALT. OBSERVERS SPECULATED THAT

MONTHS WOULD BE REQIRED TO RESUME NEAR NORMAL OPERATIONS WITHOUT AN EXPATRIATE STAFF. ON ODERS FROM PRESIDENT MOBUTU GECAMINES RESTARTED IT ACTIVITIES AT ALL KOLWEZI FACTORIES IN EARLY JUNE, REOLYING SOLELY ON THE EFFORTS OF THE COMPANYS ZAIRIAN ENGINEERS AND WORKERS SUPPLEMENTED BY OCCASIONAL DAY-TIME VISITS FROM LUBUMBASHI STAFF MEMBERS. THE ZAIRIAN STAFF NOT ONLY PUSHED PRODUCTIVITITY TO NEAR CAPACITY LEVELS BUT THEY MAINTAINED IT THROUGHOT THE MONTH. TO THE SURPISE OF EVERYONE GECAMINES PRODUCTION FOR THE MONTH OF JUNE EXCEEDED ALL EXPECTATIONS 31.000 MT OF I0034 -.\$ 1.000 MT OF COBALT (AS CONTRASTED WITH A 1977 MONTHLY AVER OF 37,700 MT OF COPPER AND 850 MT OF COBALT) TO THE OUTSIDE OBSERVER IT APPPEARED THAT GECAMINES HAD WEATHERED ZAIRES LATEST AND PERHAPS GREATEST CRISIS AND WOULD EASILY CONTINUE ITS DOMINANT ROLE IN THE COUNTRY'S ECONOMY BASED UPON THE SPEED WITH WHICH PRODUCTION WAS RESUMED KOLWEZI GECAMINES PREPARED NEW PRODUCTION PROJECTIONS FOR THE REST OF THE YEAR AND THE COMING FIVE YEARS(REF B) A SURVEY TEAM WHICH VISITED THE INDUSTRIAL COMMERCIAL AND RESIDENTIAL SECTION OF KOLWEZI ASSESSED THE DAMAGE IN THE TWON AT &56.9 MILLION (REF C)

3. TH EARLY RESUMPTION OF OPERATIONS IN KOLWEZI AND HIGH PRODUCTION FIGURES FOR THE MONTH OF JUNE MASK PROBLEMS EVERY BIT AS SERIOUS AS THE LOSS OF KOLWEZI INSTALLATIONS CONFIDENTIAL.

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APPEARED AT FIRST AND PERHAPS THE MOST SERIOUS SINCE THE CREATION OF THE STATE-OWNED COMPANY TEN YEARS AGO. AG THE CORE OF THE PROBLEM IS THE FUTUR ROLE, IN GENERAL OF THE EXPATRATIES AND IN PARTICUARL OF THE BELGIANS IN THE FUTURE OPERATIONS AND MANAGEMENTS OF GECAMINES UNTIL THIS PROBLEM IS SOLVED, IT WILL OVERSHAD2 95#34 8 73 -- AND IT IS UNLIKELY THAT GECAMINES WILL BE ABLE TO RSUME FULL PRODUCTION.

4. THE EXPATRAITE" AIRIAN PROBLEM IS NOT NEW BUT THE KOLWEZI ATTACK PERMITED ITS EMERGENCE DESPITE THE CHANGE INOWNDERSHIP TEN YEARS AGAO FROM THE BELGIAN OWNED UNION MINIERE TO A ZAIRIAN STATE OWNED COMPANY, GECAMINES HAS RETAINED AND PROMOTED INTO SERIOUS POSITIONS LARGE NUMBERS OF FORMER UNION-MINIERE REMPLOYEES. ALTHOUGH THERE IS A SENIOR TECHNICAL AND FINANCIAL DIRECTORS IN LUBUMBASH AS WELL AS THE SENIOR DIRECTORS IN EACH OF THE OTHER MINING TOWNS WERE EXPATRIATES AT THE TIME OF

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THE KOLWEZI ATTACK. THE SENIOR ZAIRIANS WERE IN NON TECHNICAL, NON FINANCIAL ADMINISTRATIVE POSITIONS DEPUTES TO EXPATRIATES AND CHIEF OF OME INSTALLATIONS. OVER THE YEARS AS GREATER NUMBERS OF ZAIRIANS WITH TEH-,8CA DEGREEES HAVE JOINED THE COMPANY RESENTEMENT HAS GROWN OVER WHAT THEY CONSIDER THE "OLD BOY" BELGIAN HOLD OVER TOP POSITIONS.

5. THE ATTACK ON KOLWEZI PROVIDED THE OPPORTUNITY FOR KOLWEZI'S ZAIRIAN STAFF TO EXPRESS THEIR DISSATISFACTION WITH THE EXPATRIATE MANAGERS AND HOW THEY COULD RUNTHE COMPANY'S MOST SOPHISTICATED FACILITIES WITHOUT THEM. UPON HIS VISIT TO KOLWEZI IN JUNE PRESIDENT MOBUTU NOTED THERE HAD BEEN TO AMNY BELGIANS AT KOLWEZI AND ORDERS ALL INSTALLATIONS TO RESUME OPERATIONS WITHOUT THEM. MOTIVATED BY PRIDE, THE ZAIRIAN STAFF PUSHED PRODUCTION AT KOLWEZI TO NEAR CAPACITY LEVELS. THEY RESENTED THE DAYLIGNUSVISITS BY EXPATRIATES FROM LUBUMBASHI, WHOM THEY FELT OFFERED LITTLE REAL ASSISTANCE AND WERE NEVER AVAILBLE DURING EMERGENCIES AT NIGHT BUT WERE GETTING CREDIT FOR RESUMING THE CONFIDENTIAL

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MINING ACTIVITIES. THE KOLWEZI CADRE PREPARED A LIST OF EXPATRIATES THEY WOULD REFUSE TO ACCEPT BACK AT THE MINES WHICH AUTHORITIES USED TO HALT VISITS FROM

LUBJBASHI BY CERTAIN INDIVIDUALS. WORKING CONDITIONS HAVE NOT BEEN EASY IN KOLWEZI. IN ADDITON TO FATIGUE FROM LONG WORKING DAY, THE ZAIRIAN CADRE HAVE SUFFEREEC LQROM CONTINIOUS MILITARY HARASSMENT AND INTER-TRIBAL SQUABBLES WHICH HAVE LANDED SOME CADRE IN JAIL. NONE THELESS THEY HAVE MAINTAINED THEIR HIGH MORALE AS WELL AS REASONALY HIGH PRODUCTIVITY LEVELS. THERE ARE SIGNS THAT SIMILAR RESENTMENT OF EXPATRIATES HAS BEGUN TO EMERGE AT OTHER INSTLLATIONS AT KIPUSP, FOR EXAMPLE THE DEIRIAN CADRE HAVE ALSO PREPARED A LIST OF

UNACCEPTABLE CADRE AND ARE HOPING FOR AN OPPORTUNITY WHICH WILL ALLOW THEIR EXPULSION.

6. PRESIDENT MOBUTU AFTER NOTING THERE WERE TOO MANY
BELGIANS AT KOLWEZI TOLD DELEGATE GENERAL UMBE THE NAUMBER
SHOULD BE REDUCED. LETTERS OF SUSPENSION WERE PREPARED
FOR ALL EXPATRAITES EVACUATED FROM KOLWEZI
BUT THE SENIOR EXPATRIATE STAFF IN LUBUMBASHI BLOCKED THE ISSUING
OF THE LETTERS UNTIL UMBA RECONFIRMED WITH MOBBTU THAT
SUCH DRASTIC ACTION SHOULD BE TAKEN. THE EXPATRAITE
CHIEFS ARGUED SUCH LETERS WERE AN UNNECESSARY BLOW TR
PEOPLE WHO HAS SUFFERED THROUGH KOLWEZI, WOULD MAKE
FUTUR RECRUITMENT DIFFICULT, COULD BRING LAW SUITS

AND WOULD DAMAGE MORALE IN OTHER TOWNS. MOBUTT PERSISTED
AND LETTERS OF SUSCENSION WERE SENT EFFECTIVE JUNT ONE. BY ZAIRIAN LAW THIS MEANS THAT UNLESS INDIVIDUAL IS REHIRED AFTER TWO MONTHS, HIS CONTRACT IS TERMINATED. CONFIDENTIAL

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7. SENIOR EXPATRIATES IN LUBUMBASHI ADMIT THAT THE ZAIRIAN STAFF IN KOLWEZI HAD MOUNTED A HERCULEAN EFFORT TO ATTAIN HIGH PRODUCTION LEVELS, UT THEY ARE IT WAS NOT A DIFFICULT TASK TO RESTART ALL MINING OPERATTIONS.

THE PROBLEMS LIE AHEAD IN ONE OR TWO MONTHS WHEN THINKGS BEGIN TO FALL PART. ANYBODY CAN PUSH THE BUTTON TO

START THE MININGS OPERATIONS BUT THEY ARGUE THE EXPATRIATE STAFF WAS ESSENTIAL FOR TECHNICAL DIRECTION, PREVENTATIVE MAINTENANCE ON MINING EQUIPMENT AND EMERGENCY PROBLEMS SOLVING. THE ADDITONAL SHCOOLING BY THE YOUNGER ZAIRIAN ENGINEERS WHO THE EXPATRIATES BELIEVE WANT TO MUCH TOO FAST CANNOT MAKE UP FOR TH YEARS OF EXPERIENCE OF THE SENIOR EXPATRIATES.

8. A RELATED ISSUE IN THE STRUGGLE OVER THE EXPATRIATE

PRESENCE IS BETWEEN THE DSLGIANS AND THE FRENCH. SHORTLY AFTER THR RECOOPATION OF KOLWEZI PRESIDENT MOBUTU DISPATCHED DELEGATE GENERAL UMBA ON A TRIP TP PARIS WHERE HE EXPLORED WITH FRENCH COOPERATION OFFICIALS TBEIR PRO VIDING FRENCH TECHNICIANS FOR THE MINES IN KOLWEZI. AS HET THERE HAS BEEN NO COMMITMENTS BUT SENIOR BELGIAN EXPATRIATES IN LUBUMBASHI BELIEVE THE FRENCH MIGHT SEIZE THIS OPPORTUNITY TO OBTAIN A GREATER ROLE IN INTERNATIONAL COPPER MINING. THE FRENCH HAVE MADE OVERTURES TO MOBUTU IN THE PAST ON THE MARKETING SIDE OF GECAMINES BUT THE BELGIAN SECIETE GENERALE DES MINERAIS HAS ALWAYS SUCCEEDED IN MAINTAING CONTROL NOT ONLY

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OVER MARKETING OF GECAMINES PRODUCTIONS BUT ALSO OVER THE SUPPLY OF EXPATRIATE CADRE. ALTHOUGH GRENCH TOTAL 20 PC OF THE EXPATRIATE STAFF(AGAINST 65 PC BELGIAN) THEY CONTROL ONLY ONE OF THE SENIOR POSITIONS THAT OF DIRECTNR OF FINANCE. NO OTHER NON-BELGIANS ARE REPRESENTATED ON JOINT

LEVELS. ALTHOUGH THERE ARE OCCASIONAL EXPRESSIONS OF RESENTMENT THAT THE TOP EXPATRIATE PSOTIONS ARE ALL RESERVED FOR THE BELGIANS, THE ISSUE IS SEEN MOST EXPATRIATES IN LUUMBASHI AS AN EFFORT BY MOBUTU TO DIVIDE THE GOVERNMENTS OF PARIS AND BRUSSELS AND PREVENT THEM FROM DEVELOPING A COMMON ZAIRIAN POLICY.

9. THE DAILY ROUTINE OF MANAGING ZAIRE'S LARGEST COMPANY CONTINUES IN A NEAR NORMAL MANNER"ORGANIZING DAILY TROPS OR WEEKLY TROP TO KOLWEZI FOR THE ACCEPTABLE CADRE, ASSESSING DAMAGE AND PRODUCTION POSSIBILITIES, HOLDING THE FIRST MEETING OF THE NEWLY NAMED COUNCIL OF ADMINISTRATION ON JULY 5(AN INTRODUCTORY SESSION SINCE SIX OF THE NINE MEMBERS HAD NO PREVIOUS CONFIDENTIAL

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EXPERIENCE WITH GECAMINES AFFAIRS) PROVIDING ASSISTANCE TO THE PAN AFRICAN FORCE FOR THEIR ADJUSTMENT TO LIFE IN ZAIRE AND ALLOCATING GECAMINES DIMISHING FOREIGN EXCHANGE RESOURCES TO PAY THE MOST PRESSING BILLS, PURCHASE TOCKS OF COKE AND FUEL AND OTHER ADEQUATE FOOD SUPPLIES FOR SHABA'S POPULATION (IN THE LAST FEW WEEKS, GECAMINES HAS ISSUED LETTERS OF CREDIT TO IMPORT 57,000 MOT OF MAIZE WHICH WOULD NORMALLY CONSTITUTE A FOUR MONTH SUPPLY) DURING THE
YEAR YEAR GECAMINES HAS NEVER BEEN ABLE TO MAKE MAIZE PURCHSES ON MORE THAN A MOFMBH TO MONTH BASIS. ALL OF THESE ACTIVITIES ARE IMPORTANT TO THE COMPANYS OPERATIONS BUT THERE ARE PERIPHERICAL TO THE LONGER RUN QUESTION OF RESUMING FULL PRODUCTION.

10. AT THE TOP LEVEL LITTLE ATTENTION IS GINDN TO STEPS WHICH MIGHT BE TAKEN FOR LONG RUN PLANNING SOME SENIOR EXPATRIATES FEEL THEIR OWN TIME IN ZAIRE MIGHT BE LIMITED. ONE SENIOR EXPATRIATE NOTED THAT FOR ALL PRACTICAL PURPOSES THE MANAGEMENTS OF GECAMINES HAS BEEN TAKEN OVER MY PRESIDENT MOBUTU. THE IMPORTANT DECISIONS DURING THE COMING MONTHS WIL BE MADE BY HIM AND TRANSMITTED BY UMBA. UMBA WHO HAS SPENT MOST OF THE PAST TWO MONTHS COMMUNITING BETWEEN LUBJMBASHI,KINSHASA AND EUROPE HAS HAD LITTLE TIME TO DEVOTE TO GECAMINES MANAGEMENT. THE SENIOR EX PATRIATES WHO SPEND THEIR TIME ON MINY DAILY ISSUES

SEEM TO HAVE ADOPTED A WAIT-AND-SEE ATTITUDE ABOUT THE FUTURE. THEY ARGUE THEY CAN DO LITTLE ELSE. THEY ARE UNABLZSTO BEGIN ATTEMPTING TO RESTAFF

UTLWEZI WITH EXPATRIATES BECAUSE OF THE SUSPENSION ORDER. CONFIDENTIAL

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THEY DO NOT KNOW HOW FAR MOBUTU WILL PUSH HIS DISPUTE WITH BELGIAN OR WHETHER THR FRENCH WILL PROVIDE

TECHNICIANS UNDER A NEW MANAGEMENT AGREEMENT. THE WORLD BANK AT A MEETING IN LATE JUNE REVIEWED GECA MINES PROBLEMS BUT PUT OFF ANY DECISION ON FURTHER ASSITANCE UNTIL OCTOBER. WITHOUT A WORLD BANK COMMITEMENT NO DECISIONS CAN BE MADE ON RESUMING WORLD ON MHE P-2 EXPANSION PROGRAM. NO OTHER COMMITEMENTS CAME OUT OF THE PARIS OR BRUSSELS MEETINGS WHICH WOULD PROVIDE FUNDS TO REBUILD KOLWEZI OR REHABILITATE GECAMINES OVERAGE EQUIPMENT. IF THEE IS AN OFFICIAL MOVE TO REPLACE THE BELGIANS WITH FRENCH AT KOLWEZI IAND PERHAPS ELSEWHERE HOW WILL THIS EFFECT THE WILLINGNESS OF DONORS TO PROVIDE ASSISTANCE TO GECAMINES? NEITHER THE ZAIRIANS NOR EXPATRIATES AT GECAMINES CAN ANSWER THESE QUESTIONS.

11. GECAMINES PROBLEMS MUST BE RESOLVED IF ZAIRE IS TO FIND SOLVENCXYM ON THE ONE HAND GECAMINES CANNOT BEGIN PLANNING AHEAD UNTIL MOBUTU MAKES UP HIS MOND ABOUT THE COMPANY'S FUTURE DIRECTION. ON THE OTHER HAND LITTLE PLANNING IS POSSIBLE UNTIL WESTERN NATIONS MAKE UP THEIR MINDS ABOUT THEIR CONTINUING COMMITMENT TO ZAIRE. UNTIL THERE IS MOVEMNT ON THESE ISSUES GECAMINES WILL CONTINUE ITS DAY-TO-DAY APPROACH TO MANAGMENT. UNDER SUCH CIRCUMSTANCES THE HIGH OUTPUT LEVELS OF JUNE CAN ONLY B EXPECTED TO DECLINE OVER THE COMING MONTHS.

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